ANNUAL REPORT 1981

FOR THE YEAR ENDED DECEMBER 31, 1981

CHIMO GOLD MINES LIMITED

CHIMO GOLD MINES LIMITED

DIRECTORS	M. P. Connell	Toronto, Ontario
	C. C. Coolican	Toronto, Ontario
	D. J. Hains	Oakville, Ontario
	J. C. Lamacraft	Toronto, Ontario
	R. J. Metcalfe	Toronto, Ontario
OFFICERS	M. P. Connell	Chairman of the Board
	J. C. Lamacraft	President and Chief Executive Officer
	C. C. Coolican	Executive Vice-President
	J. A. Kalman	Vice-President
	J. A. Patterson	Vice-President and Secretary
	J. S. Adams	Treasurer
	M. Zurowski	Exploration Manager

HEAD OFFICE
Suite 1010, 85 Richmond Street West
Toronto, Ontario
M5H 2G1

TRANSFER AGENT
National Trust Company, Limited
Toronto, Ontario

AUDITORS
Thorne Riddell,
Toronto, Ontario

BANKERS
The Toronto-Dominion Bank
Toronto, Ontario

SOLICITORS
Davies, Ward & Beck
Toronto, Ontario
McCarthy & McCarthy
Toronto, Ontario

ANNUAL MEETING
June 29, 1982
9:15 a.m.
University Room,
2nd Floor, North Wing,
Park Plaza Hotel,
4 Avenue Road,
Toronto, Ontario

Chimo Gold Mines Limited

Directors' Report to Shareholders

Your directors are pleased to submit the Company's Annual Report for the year ended December 31, 1981.

Financial

Net income for the year was $1,003,480 or $0.30 per share compared to $631,046 or $0.19 per share in 1980. Working capital, together with the market value of investments carried as non-current assets totalled $6,722,870.

The Iron Bay Trust

Your Company's major asset is its 1,000,000 units of The Iron Bay Trust. Royalty income from this source during 1981 amounted to $746,700 versus $666,200 in 1980.

The Trust owns an 80% reversionary interest in an iron ore property known as the Griffith Mine near Red Lake, Ontario, which is leased to Stelco Inc. until April 30, 2040. The mine, which commenced production in 1969 has an annual production capacity of approximately 1,500,000 tons of iron ore pellets per annum; actual production during 1981 was 1,495,350 tons.

The lease agreement with Stelco provides for escalation of the royalty rate payable to the Trust proportionately with increases in the price of iron ore pellets. The royalty rate as of December 31, 1980 was $1.17 per ton; this was increased by 9.3% to $1.28 per ton in early 1981. The majority of iron ore producers increased the Lower Lake Superior quoted price in March and April of 1982 by approximately 8%. The increase should be reflected in the royalty rate applicable to the Griffith mine production for shipments in the second quarter.

Shipments of pellets from the Griffith Mine during the last quarter of 1981 and first quarter of 1982 decreased an average of approximately 14% from the corresponding period in the previous year due to weak demand in the steel industry. It is anticipated that production and shipments will remain below capacity until conditions in the economy improve and demand for steel strengthens. The lower level of production and shipments at the Griffith Mine will, to some extent, be offset by the anticipated increase in the royalty rate referred to above.

Mineral Exploration

The company participates to the extent of 15% in the Conwest Group's 12.5% operating and 3% gross production royalty interest in the Conwest Canadian Uranium Exploration Joint Venture which was formed in 1975 with Eldorado Nuclear Limited and three European utilities. The Joint Venture, under Eldorado's management, holds 278,680 acres on the edge of the Athabasca Basin in Saskatchewan and 105,500 acres in Quebec and has expended approximately $13 million to December 31, 1981. Additional funds are provided by the Saskatchewan Mining Development Corporation, a one-third participant in all the lands in Saskatchewan. Results of programs completed in 1981 did not record any economic mineral deposits. Programs are being continued in 1982, with total budget of $875,000 with the major portion devoted to the Joint Venture's Quebec holdings.

The Company holds a 27% interest in the Conwest Group's base metal program which has farmed out several properties to Brunswick Mining and Smelting Company Limited and one property to Riocanex. On the Brunswick properties minimal expenditures were incurred and the option is still in good standing. Riocanex is the operator on the Lac des Mille Lac property and during 1981, the Conwest Group declined to participate in a winter drilling program to maintain its 40% interest, but retains a 25% net profit interest. Riocanex drilled four holes totalling 1205.5 metres to investigate at depth the principal zone of zinc-silver mineralization. Results were disappointing and Riocanex has suspended any further work on the property.

The Company's former gold producing property in Vauquelin Township, Quebec is under option to Soquem, who have spent in excess of $700,000 on the property including 10,260 metres of diamond drilling in 50 drill holes. Soquem have advised that diluted drill indicated reserves are estimated at 400,000 short tons averaging 0.20 oz. gold per ton in three zones, with additional potential in the order of 250,000 tons. Your Company will receive a cash payment of $50,000 and be entitled to a 1% royalty on gross revenue from production when the option to take over the property is exercised by Soquem.

Consortina Incorporated

Your Company holds a 20% interest in Consortina Incorporated, which company, until late 1980, operated a number of restaurants, lounges and accommodation units within the Toronto area.

All of these units have now been sold with the exception of the Ports property on Yonge Street, which is the subject of a rezoning application to develop a residential-office complex. Should the development proceed, the property will be sold under the terms of an option agreement with the developer.

General

Recently, your controlling shareholder, Conwest Exploration Company Limited, acquired by private agreement, an additional 626,000 shares of Chimo at a price of $2.20 per share to increase its equity in your Company from 71% to approximately 90%.

In addition, certain companies of the Conwest Group have recently agreed to a merger plan. The directors of each of Central Patricia Limited and its controlling

shareholder, a private corporation which, through Central Patricia controls the Conwest Group, Conwest Exploration, International Mogul, and Chimo Gold Mines Limited have considered and approved an amalgamation agreement involving all five companies. The amalgamated company will be called Conwest Exploration Company Limited.

The exchange ratios provided for in the amalgamation agreement are as follows: 1 Class A common share of the amalgamated company, ("Amalco") for each Conwest Class A common share; 1 Class B common share of Amalco for each Conwest Class B common share; 2 Class B common shares of Amalco for each common share of International Mogul; 0.3 Class B common share of Amalco or, if the holder elects, 1 retractable preference share of Amalco with a par value of $2.20 for each common share of Chimo; 1.1 Class B common shares of Amalco for each common share of Central Patricia; and 0.88 Class A common shares of Amalco for each common share of the private holding company which presently controls Central Patricia and the other companies of the Conwest Group.

The presently issued and outstanding common share structure of Conwest is 2,525,000 Class A common shares and 4,443,253 Class B common shares which are equal in all respects except voting rights. Voting attributes are 100 votes for the A common shares and one vote per share for the B common shares. The issued and outstanding common share structure of Amalco pursuant to the amalgamation proposal would be approximately 2,032,000 Class A common and 5,236,000 Class B common shares. The articles of Amalco will provide certain "follow-up offer" protection in respect of the Class B common shares.

Your directors have carefully considered the amalgamation proposal and recommend its acceptance. The amalgamation provides for a complete integration of the corporate structure and assets of the principal public companies of the Conwest Group. The resulting company will have a broadened asset and equity base and improved access to long-term credit, all important determinants of future growth. The amalgamation will eliminate significant accounting and auditing, administrative, taxation and routine reporting and regulatory requirements which will result in reduced general and administrative costs and more productive use of staff and executive time. The amalgamation will not result in a change of control of any of the companies and thus there should be no significant alteration to the existing tax shelter base of the amalgamating companies. The amalgamated company will have a larger number of shareholders and a larger public float of common shares and your directors believe would be a more attractive investment with enhanced market liquidity. The follow-up offer protection to minority shareholders which will be included in the articles of the amalgamated company will provide all common shareholders with an equal opportunity to participate should the controlling shareholder in future accept a takeover offer at a defined premium to the market.

Accompanying this annual report is an Amalgamation Circular which sets out in detail information regarding the proposed amalgamation, a description of the assets and businesses of the amalgamating companies and the amalgamation agreement itself.

Completion of the proposed amalgamation will make it possible for the amalgamated company to undertake projects and long-term investments that none of the component companies, and particularly your own Company, would be able to sustain on an individual basis. General business conditions are currently dismal and a depressed atmosphere prevails as a result of high government spending and deficits, inflation, illiquidity in the corporate sector, high interest rates, and general uncertainty as to when the North American and world economies will recover. However, in spite of this, management is cautiously optimistic that during 1982, the Company and its successor, the amalgamated Conwest Exploration Company Limited, will undertake significant new long term investments in the Canadian resource sector which will result in a new stage of sustained growth in assets and earnings during the next business cycle.

On behalf of the Board,

M. P. Connell,
Chairman

J. C. Lamacraft,
President and Chief Executive Officer

May 19, 1982

Chimo Gold Mines Limited

(Incorporated under the laws of Ontario)

Balance Sheet as at December 31, 1981

ASSETS

	1981	1980
Current Assets		
Cash and commercial paper	$ 681,524	$ 245,995
Royalty receivable	160,000	160,000
Accounts receivable	20,472	52,887
	861,996	458,882
Investment in Mining Companies and Properties		
Shares with a quoted market value (quoted market value 1981, $1,179,554; 1980, $1,727,525)	1,529,367	1,203,964
Units of The Iron Bay Trust, at cost less accumulated amortization of $152,220 (1980, $140,427) (quoted market value 1981, $5,000,000; 1980, $6,875,000)	202,672	214,465
Mineral exploration interests	1	1
	1,732,040	1,418,430
Investment in Consortina Incorporated (note 2)	1,804,247	1,325,114
Fixed Assets, at cost less accumulated depreciation	47,558	50,113
Mortgage from a Director, non-current portion	31,250	33,750
	$4,477,091	$3,286,289

LIABILITIES

	1981	1980
Current Liabilities		
Accounts payable and accrued liabilities	$ 126,792	$ 101,358
Income taxes payable	191,888	30,000
	318,680	131,358

SHAREHOLDERS' EQUITY

	1981	1980
Capital Stock		
Authorized		
5,000,000 Shares, par value $1 each		
Issued		
3,371,086 Shares	3,371,086	3,371,086
Less discount	1,212,167	1,212,167
	2,158,919	2,158,919
Retained Earnings	1,999,492	996,012
	4,158,411	3,154,931
	$4,477,091	$3,286,289

Subsequent event (note 5)

Approved by the Board

M. P. CONNELL, Director

J. C. LAMACRAFT, Director

Chimo Gold Mines Limited

STATEMENT OF INCOME AND RETAINED EARNINGS
Year Ended December 31, 1981

	1981	1980
Revenue		
Royalties	$ 746,700	$ 666,200
Interest		
Consortina Incorporated	519,133	
Other	110,917	34,280
Dividends	6,040	4,880
Gain on sale of investments	127,708	108,896
Gain on sale of mineral property		150,000
Gain on sale of fixed assets		34,999
	1,510,498	999,255
Expenses		
Mineral exploration	35,877	48,078
General administrative	253,994	260,162
Corporate	12,799	15,712
Depreciation and amortization	14,348	14,257
	317,018	338,209
Income before income taxes	1,193,480	661,046
Income taxes	190,000	30,000
Net Income	1,003,480	631,046
Retained earnings at beginning of year	996,012	364,966
Retained earnings at end of year	$1,999,492	$ 996,012
Earnings per share	$0.30	$0.19

AUDITORS' REPORT

To the Shareholders of
Chimo Gold Mines Limited

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1981 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
May 17, 1982

THORNE RIDDELL
Chartered Accountants

Chimo Gold Mines Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION
Year Ended December 31, 1981

	1981	1980
Working capital derived from		
Operations	$ 890,120	$ 351,408
Sale of investments	793,684	234,489
Sale of mineral property		150,000
Reduction in investment in Consortina Incorporated		42,886
Reduction in other investments		30,336
Reduction in mortgage from a director	2,500	29,950
Sale of fixed assets		35,000
	1,686,304	874,069
Working capital applied to		
Purchase of shares with a quoted market value	991,379	1,016,970
Purchase of fixed assets		52,667
Increase in investment in Consortina Incorporated	479,133	
	1,470,512	1,069,637
Increase (decrease) in working capital	215,792	(195,568)
Working capital at beginning of year	327,524	523,092
Working capital at end of year	$ 543,316	$ 327,524

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 1981

1. Summary of Significant Accounting Policies

(a) Investments

(i) Units of The Iron Bay Trust

The Iron Bay Trust owns an 80% interest in a producing mining property which is leased to Stelco Inc. until April 30, 2040. The Corporation has a 39.1% interest in the Trust, represented by 1,000,000 trust units. Since royalties are received on a units of production basis, it is the Corporation's policy to amortize its investment on this basis over total estimated production.

(ii) Other investments

Other long-term investments, including the investment in Consortina Incorporated, are carried at cost or at cost less amounts written off to reflect a decline in value which is other than temporary.

Because of the number of shares held in certain companies, the quoted market values are not necessarily indicative of the value of such investments, which may be more or less than indicated by market quotations.

(b) Mineral exploration interests

Direct exploration expenditures and the cost of acquisition of mineral exploration interests are charged to income in the year incurred.

(c) Mineral resource interests

The cost of acquisition of mineral interests which contain economic mineral reserves and the cost incurred on mineral exploration interests subsequent to the determination that such interests contain economic mineral reserves are deemed to be mineral resource interests. These interests, together with development expenditures thereon, are deferred and carried as an asset to be amortized against future production. Upon disposal or abandonment, the net gain or loss related to such asset is reflected in the statement of income.

2. Investment in Consortina Incorporated

	1981	1980
Shares, at cost	$ 4	$ 4
Advances		
Secured by Series A and B debentures of Consortina	2,048,000	2,048,000
Unsecured	536,243	57,110
	2,584,247	2,105,114
Provision for loss	780,000	780,000
	$1,804,247	$1,325,114

The Corporation owns a 20% interest in Consortina Incorporated and the Corporation's parent company, Conwest Exploration Company Limited, owns the remaining 80% interest. During 1981, interest at the rate of prime plus 4½% was charged on all advances to Consortina. The Corporation had waived interest on such advances in 1980. Subsequent to December 31, 1981 and to May 17, 1982 the Corporation has received from Consortina repayments of approximately $292,000 on its outstanding advances.

3. Income Taxes

At December 31, 1981 the Corporation has resource expenditures and capital cost allowances of $53,000 which are available to reduce or eliminate income taxes that would otherwise be recorded as a charge against income of future years, the tax effect of which has not been reflected in the financial statements.

Approximately $553,000 (1980, $482,000) of deductions of this type were applied to eliminate income taxes that would otherwise have been recorded as a charge against income of the current year. Since reductions or eliminations of this nature are recurring on a regular basis over a number of years and are typical of the Corporation's normal business activities, they are not considered to be extraordinary in nature and are reflected as a reduction of current income taxes when realized.

4. Related Party Transactions

Conwest Exploration Company Limited owns 71.1% (89.7% as of May 17, 1982) of the Corporation and consequently many of the companies within the Conwest Group of companies are related parties. As part of normal business operations the Corporation makes extensive use of Conwest's management and technical services. The Corporation's share of the cost of such services amounted to $233,704 in 1981.

The Corporation also participates in the exploration of certain non-hydrocarbon exploration prospects with members of the Conwest Group, at costs, $34,251 in 1981, which are proportionate to its interest.

5. Subsequent Event

On May 13, 1982 the Corporation's directors approved in principle the amalgamation of the Corporation, Conwest Exploration Company Limited, the Corporation's parent company, International Mogul Mines Limited, another subsidiary of Conwest, Central Patricia Limited, the parent company of Conwest, and a holding company of Central Patricia's controlling shareholder. The amalgamation is subject to approval by the shareholders of the respective companies.

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